

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1954 - SB 2018

February 8, 2016

SUMMARY OF BILL: Requires the Department of Financial Institutions (DFI) to implement a common database with real-time access through an internet connection for persons who are licensed to offer flex loans pursuant to the Flexible Credit Act, and to persons who are licensed to provide deferred presentment services pursuant to the Deferred Presentment Services Act, both of which are defined as “licensees” under the bill. Authorizes the Department to enter into a contract with a single-source private vendor to develop and operate the database.

Requires licensees to, on or after January 1, 2018, submit certain data to the database about a person seeking deferred presentment services or a flex loan plan, both before entering into a transaction and when a transaction has been paid in full. Requires the Department to, on or after July 1, 2016, impose a fee on a licensee not to exceed \$0.25 per transaction for data required to be submitted by the licensee. Authorizes a licensee subject to such a fee to charge the customer seeking the transaction an amount equal to the fee, in addition to interest or any other authorized fees or charges.

Requires licensees to disclose to customers, prior to offering a flex loan or providing deferred presentment services, that licensees are required to check the database to determine whether there are any outstanding flex loan plans or deferred presentment transactions held by other licensees for the person. Creates a Class C misdemeanor offense for any person that makes any false or misleading statements to a licensee. Authorizes a licensee, after submitting the required information to the database and if the database check shows that the customer has not exceeded limits allowed under the Flexible Credit Act or Deferred Presentment Services Act, to complete the flex loan plan or a deferred presentment transaction with the customer.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$1,063,100/Recurring/Department of Financial Institutions

Increase State Expenditures –

\$868,100/One-Time/Department of Financial Institutions

\$623,000/Recurring/Department of Financial Institutions

Assumptions:

- Based on information provided by the DFI, the total number of annual flexible credit loans is estimated to be 186,456, and the total number of annual deferred presentment

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services transactions is estimated to be 4,065,869, for a total of 4,252,325 annual transactions on which the fee not to exceed \$0.25 per transaction is authorized to be charged. This number is assumed to remain constant into perpetuity.

- The DFI will impose the maximum fee of \$0.25 per transaction.
- The recurring increase in state revenue to the DFI is estimated to be \$1,063,081 (4,252,325 transactions x \$0.25 per transaction).
- According to the Department, the Administrative Division of the DFI will require two additional Accountant 3 positions for the invoicing, billing and cashing of the imposed fees, in order to establish internal controls for operational and general ledger accounting over cash and related deposits.
- The one-time increase in state expenditures associated with the two Accounting 3 positions is estimated to be \$1,440 for computer costs and supplies.
- The recurring increase in state expenditures associated with the two Accounting 3 positions is estimated to be \$188,171 for salaries (\$127,944), benefits (\$42,107), and other (\$18,120).
- The Compliance Division of the DFI will require an additional Bank Financial Analyst position to collect, verify, and handle the administration of the information from the database, and an additional Loan Examiner 4 position to pull information, deconstruct, and analyze the database information, which would include research of violations, ensuring the database is correct, and discerning which loans caused violations, and documenting their findings.
- The one-time increase in state expenditures associated with these two positions is estimated to be \$1,440 for computer costs and supplies.
- The recurring increase in state expenditures associated with these two positions is estimated to be \$214,334 for salaries (\$150,444), benefits (\$47,210), and other (\$16,680).
- The Department's Information Technology Section of the Administrative Division will require an additional Advanced Business Analyst, responsible for ensuring that all of the business requirements were captured in the Department's in-house application for any changes using the Department's Change Management process. In addition a new Advanced Software Developer position is required to ensure security and efficiency of the system.
- The one-time increase in state expenditures associated with these two positions is estimated to be \$1,707 for computer costs and supplies.
- The recurring increase in state expenditures associated with these two positions is estimated to be \$204,552 for salaries (\$147,796), benefits (\$47,063), and other (\$9,693).
- According to the Department, information technology costs for development and operation of the database would be the same if the database is developed internally or if it is developed through a contract with a single-source private vendor.
- Based on information provided by the department, one-time costs of development of the database are estimated to be \$863,555. These expenditures are based on the cost of contracting with a team of seven staff comprised of a Project Manager III, Business Analyst III, three Programmers/Developers, one Web Based Training Developer, and one Quality Assurance Tester.
- The recurring increase in state expenditures associated with the maintenance of the database is estimated to be \$15,907.

- The total one-time increase in state expenditures to the Department as a result of this bill is estimated to be \$868,142 (\$1,440 + \$1,440 + \$1,707 + \$863,555).
- The total recurring increase in state expenditures to the Department as a result of this bill is estimated to be \$622,964 (\$188,171 + \$214,334 + \$204,552 + \$15,907).
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

IMPACT TO COMMERCE:

Increase Business Revenue – \$1,063,100

Increase Business Expenses – Exceeds \$1,063,100

Other Impact – The additional imposition of the fee on licensees’ customers could result in a decrease in the total number of business transactions, the number of flex loans issued, and the number of deferred presentment service agreements transacted. Due to many unknown factors, any impacts on the industry or the number of private sector jobs associated with the industry cannot be determined with reasonable certainty.

Assumptions:

- A \$0.25 fee will be imposed on each transaction entered into by licensees. The total number of annual transactions that the fee will be imposed upon is estimated to be 4,252,325.
- The resulting recurring increase in business expenses is estimated to be \$1,063,081 (4,252,325 transactions x \$0.25 per transaction).
- All licensees will charge their customers entering into such transactions an additional amount equal to the \$0.25 fee, pursuant to the express authorization to do so under this Act.
- The resulting recurring increase in business revenue is estimated to be \$1,063,081.
- Licensees will incur additional expenses to ensure compliance with the provisions of this Act. The exact amount of such increase is unknown; however, the total increase in business expenses resulting from this bill is estimated to exceed \$1,063,100.
- The additional imposition of the fee on licensees’ customers could result in a decrease in the total number of business transactions or the total amount of flex loans issued and the number of deferred presentment service agreements transacted. Due to many unknown factors, any impacts on the industry or the number of private sector jobs directly associated with such decreases cannot be determined with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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